

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1717-02
Bill No.: SB 411
Subject: Cities, Towns and Villages; Counties; Economic Development; Economic Development Department; Retirement-State; Taxation and Revenue- Property; Taxation and Revenue - Sales and Use
Type: Original
Date: March 16, 2011

Bill Summary: This proposal allows employees of the Missouri Development Finance Board to join the Missouri State Employees' Retirement System and places a moratorium on certain tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	Unknown over \$100,000	Unknown over \$100,000	Unknown over \$100,000
Total Estimated Net Effect on General Revenue Fund	Unknown over \$100,000	Unknown over \$100,000	Unknown over \$100,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 99.975 & 100.273 MDFB

Officials at the **Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. This proposal makes full-time MDFB employees, state employees and eligible for coverage under MOSERS. BAP defers to the MDFB and MOSERS for estimated impacts to those agencies.

Officials at the **Missouri Consolidated Health Care Plan (MCHCP)** is unable to determine a fiscal impact on this proposal because it is unknown whether the Missouri Development Finance Board (MDFB) would request coverage through MCHCP. If MDFB were to request coverage and the MCHCP board approved, the fiscal impact on MCHCP is the product of the predicted membership magnitude of MDFB and the estimated net payment per active employee per year. MCHCP assumes the health status of MDFB subscribers and their number of dependents per subscriber is similar to MCHCP's existing active employee population. Net payments for active employee subscribers are approximately \$9,727 per subscriber per year based on 2011 estimates. Eventually, MDFB would have retirees covered under their medical plan. Again, assuming the health status of MDFB retirees and their number of dependents per subscriber is similar to MCHCP's existing retiree population; net payments for retiree subscribers are approximately \$7,776 per subscriber per year based on 2011 estimates.

Oversight assumes that if the employee of the authority are allowed to join MCHCP, the contribution costs would be borne by the authority and not the State.

Officials at the **Missouri State Employees' Retirement System (MOSERS)** assume the proposed legislation would, if enacted, require any person employed by the Missouri Development Finance Board (MDFB) on or after September 1, 2011, in a full-time position, to be both a state employee and a member of MOSERS. As proposed, MDFB employees could purchase prior creditable service with MDFB under the purchase provisions contained in Chapter 105, RSMo, and may do so notwithstanding any vesting requirement to the contrary. Additional provisions exist that would allow MDFB employees who purchase service and subsequently terminate prior to being vested in the system to receive a refund equal to the purchase amount. This proposal has no fiscal impact on the retirement system since employees would be required to purchase service with their own funds.

Oversight assumes that if the employee of the authority are allowed to join MOSERS, the contribution costs would be borne by the authority and not the State.

ASSUMPTION (continued)

Officials at the **Joint Committee on Public Employee Retirement** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (10).

Officials at the **Department of Economic Development** and the **Missouri Development Finance Board** assume that there is no fiscal impact from the MOSERS provisions.

Section 100.286 & 100.297 Tax Credits Moratorium

Officials at the **Budget and Planning (BAP)** assume this proposal sunsets the MO Downtown and Rural Economic Stimulus Act on August 28, 2011. Associated economic activity may be reduced. BAP cannot estimate the potential loss of induced revenues as a result of this proposal.

This proposal provides a 5-year moratorium on authorizations of MDFB Infrastructure Development credits. BAP notes redemptions under this program have average about \$20.3M over FYs 2008-2010. However, MDFB recently estimated \$58.9M of outstanding or unissued credits, so a moratorium will not result in the immediate cessation of redemptions. Redemptions may decrease by \$2M in FY13, and \$3.5M in FY14, based on previous redemption trends. Associated economic activities may be reduced. BAP cannot estimate the potential loss of induced revenues as a result of this proposal.

According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the MDFB Infrastructure tax credit program has had and projects the following activity;

	FY 2008	FY 2009	FY 2010	FY 2011 (projected)	FY 2012 (projected)
Certificates Issued (#)	371	83	234	200	200
Projects (#)	12	14	9	6	4
Amount Authorized	\$25,812,250	\$37,874,600	\$6,550,000	\$10,000,000	\$10,000,000
Amount Issued	\$31,004,874	\$19,727,925	\$39,203,730	\$15,213,427	\$7,529,941
Amount Redeemed	\$19,877,329	\$26,916,508	\$13,970,215	\$33,715,208	\$13,083,547

BAP assumes this proposal provides a 5-year moratorium on authorizations of MDFB Bond Guarantee credits. These credits provide security for certain bonds issued by public entities but are typically not redeemed. Indeed, none were redeemed in FYs 2008-2010. However, public investment activities may be reduced. BAP cannot estimate the potential loss of induced revenues as a result of this proposal

Oversight assumes that no MDFB Bond Guarantee tax credits have been issued or redeemed in

ASSUMPTION (continued)

the last three years. Oversight assumes this moratorium will not impact this tax credit.

Officials at the **Department of Economic Development** and **Missouri Development Finance Board** assume an unknown impact from the these provisions of this bill.

Officials at the **Department of Revenue** assume that there is no fiscal impact from this proposal.

Oversight assumes the changes to existing programs in this proposal would have a negative impact on the state. However, Oversight considers this to be indirect impact of the proposals and will not reflect them in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
---	---------------------	---------	---------

GENERAL REVENUE

<u>Revenue</u> - tax credits not issued for five years	<u>Unknown over</u> <u>\$100,000</u>	<u>Unknown over</u> <u>\$100,000</u>	<u>Unknown over</u> <u>\$100,000</u>
--	---	---	---

ESTIMATED NET EFFECT ON GENERAL REVENUE	<u><u>Unknown over</u></u> <u><u>\$100,000</u></u>	<u><u>Unknown over</u></u> <u><u>\$100,000</u></u>	<u><u>Unknown over</u></u> <u><u>\$100,000</u></u>
--	---	---	---

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act prohibits the approval of new applications by the Missouri Development Finance Board under the Missouri Downtown and Rural Stimulus Act after August 28, 2011.

This act prohibits the authorization for issuance of Missouri Development Finance Board Bond Guarantee Tax Credits and Infrastructure Development Fund Contribution Tax Credits for the

JH:LR:OD

FISCAL DESCRIPTION (continued)

five year period beginning on the effective date of the act.

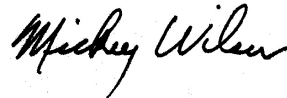
This act makes any full-time employee of the Missouri Development Finance Board on September 1, 2011 a state employee and member of the Missouri State Employee's Retirement System (MOSERS). However, these employees will not be covered under the Missouri consolidated health care plan (MCHCP), unless the board requests coverage and MCHCP's board approves the request. These employees may purchase credited service toward retirement for their employment with the board under the provisions that allow other nonfederal public employees to purchase service, except these employees will not be required to vest before they may purchase the service.

This act contains an emergency clause for certain sections.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Economic Development
 Missouri Development Finance Board
Department of Revenue
Joint Committee on Public Employee Retirement
Missouri Consolidated Health Care Plan
Missouri State Employees' Retirement System



Mickey Wilson, CPA
Director
March 16, 2011